



PRIME MINISTER

TRANSCRIPT OF DEBATE WITH ANDREW PEACOCK, LEADER OF THE OPPOSITION, ABC STUDIOS, SYDNEY, 25 FEBRUARY 1990

E & O E - PROOF ONLY

MURPHY: ... Bob Hawke says this election is the most important in 40 years as he tries for a fourth term as Prime Minister. Andrew Peacock says he's certain he'll be Australia's next Prime Minister. Well tonight we'll put them both to the test. And joining me is a panel of four senior political journalists elected by the Federal Parliamentary Press Gallery - Warwick Beutler from ABC Radio Current Affairs, Laurie Oakes from the Nine Television Network, Alan Ramsey from the Sydney Morning Herald newspaper and Paul Kelly who's political editor of the Australian newspaper. Now let me explain the rules of this debate. Of course it's always hard to work out the rules but after exhaustive discussions between all parties, we've decided to tackle it in a way which we hope makes it as interesting and informative as possible. The Prime Minister and the Leader of the Opposition will talk on three issues - the economy, social policy and the environment. They'll question each other and then the panel questions both of them. Later the panel will throw questions to both leaders on any issues and topics that they care to choose and we'll wind up with final statements from Mr Hawke and Mr Peacock. Time restrictions have already been agreed to and as we have only one hour, I'll be rigorous but reasonable in applying these rules. So now let the great debate of the 1990 election campaign begin. The first topic is the economy. A few minutes ago we tossed a coin, the Prime Minister called, he won and he allowed the Leader of the Opposition to lead off so Mr Peacock, the economy.

PEACOCK: Thank you very much, Paul. I think for starters the one thing that I would agree with that Mr Hawke has said in this election campaign is that this is the most important election in the last 40 years of Australia's history. For the reality is Australia needs a new era, a new epoch and a new spirit.

You know and I know that the economy is on the brink of collapse. Business failures are at a record level, family living standards have been shattered, our children's futures have been mortgaged because of the spiralling debt and so the decision that you'll take on

24 March is in fact one of the most important in the last 40 years.

But worse still in the outline that I could put to you, worse still, is that for the first time in Australia's history we contemplate the reality that the next generation of our children could inherit worse living standards than their parents. This has never happened before and it should never have happened. You know and I know who is to blame.

My opponents deliberately chose the high interest rate route. They deliberately chose an economic instrument which is both crude and cruel.

They could have tightened fiscal policy, they could have freed up the labour market and with those settings in place, had a steadier monetary policy which would not have had the effect of adding to the inflationary pressures pushing interest rates up. Oh no, they took the high interest rate route. They can not therefore blame anything else for the choice was theirs.

Now we're saying to you, what Australia requires is a coordinated set of programs. We will tighten fiscal policy and we've identified in our Economic Action Plan \$2.7 billion of costs, of cutting of expenditure in our first year alone.

We are of course utilising \$2 billion of that savings for families, for tax relief - a child care rebate, a child tax rebate, easing of the eligibility and increasing the dependent spouse rebate. We're abolishing the capital gains tax where 80 percent of the men and women who paid capital gains tax in the last figures available earned only \$35,000 or less and that ain't millionaire stuff, but the Labor Party keeps threatening me with the allegation that we're doing it for millionaires. Eighty percent of those who paid capital gains tax earned \$35,000 or less.

But the great stress has to be on the family and we've produced a program which will give genuine relief for families, a marked contrast, a marked contrast ... staying with the status quo.

MURPHY: OK, I must stop you there and now ask the Prime Minister, Mr Hawke, to speak.

PM: Next month you must make the decision as who is the best equipped to run the Australian economy.

For the last seven years with my colleagues I've been running the biggest business around here and that's the Australian Government and for the first time in history we have made a profit out of running that business - never before.

In the last three years, a \$17 billion surplus and I have applied that surplus, that \$17 billion, to wipe out Commonwealth Government debt. As far as you are concerned, through your Commonwealth Government, you owe no overseas debt at all. We are an international creditor. But I've done that at the same time as we've reduced tax rates.

I inherited from this crowd a top rate of 60 cents in the dollar, we've brought it down to 47 - a bottom rate of 30, we've brought that down to 21 and we've done that by making the rich pay where they didn't pay before - a capital gains tax, a fringe benefits tax and closing off all those tax avoidance rorts that we inherited.

But as well as doing that we've substantially cut outlays.

For the first time in history, against what Mr Peacock has said, for the first time, four successive years of real reductions in outlays which has allowed us to transfer \$30 billion of resources to the private sector and that's where the jobs have been created - 1.6 million new jobs and 92 percent of them in the private sector.

We've done that because together, you and the Government, have put Australia's future first.

We've had predictable wage outcomes and with that we've been able to restructure the Australian industry.

We now have had in the last four years a 54 percent increase, real increase, in manufactured exports. We're sending cars to the United States, we're exporting steel to the world, imports are coming down and we have the biggest investment surge in history - \$90 billion worth of investment projects identified by Access Economics to bring on \$10 billion worth of extra export income in the years ahead.

There's had to be high interest rates because we've gone too strong, but you've accepted that and I know it's hurt, it hasn't been pleasant, but now the banking sector says that the policies are right, that the interest rates are coming down.

If you're going to control interest rates, you've got to control wages, you can predict the wages ... outcome under us, under Mr Peacock it will be a wages explosion. He has a \$6 billion unfunded set of promises which will blow the deficit out again. So, if you are going to keep restructuring the economy, keep up with manufactured exports, bring interest rates down, then you must control wages - which we can, he can't - you must fund your promises. I will fund every promise I make during this election against the \$6 billion unfunded situation of the conservatives.

So there it is. If you want interest rates down, exports going ahead and jobs growth, then you must have wages and fiscal control. We've got it.

MURPHY: Well now we go to an interesting part and this is where the leaders question each other. First question to you Mr Peacock.

PEACOCK: Thank you, Mr Murphy. Mr Hawke, in your 197, 1987 election policy speech, not once, not twice, but three times you undertook to the Australian people that you would get interest rates down. Home mortgage rates are now at a record level.

MURPHY: Will you get to the question.

PEACOCK: Yes, sure. Well you can see that your promise has been broken.

PM: No, what has happened, Paul and viewers, is that I've conceded publicly that at the end of 1988 every professional economist, every private and Government economist underestimated, we underestimated the strength of demand and demand grew so much in the Australian economy, recognised and reflected by the fact that there was an, an eight percent increase in expenditure, a four percent increase in consumption. Now we could have, if we'd wanted to, still having a tight fiscal policy and tight wages policy, let a soft monetary policy which would have wrecked the economy. You just would have had more imports that you can afford. So we had to take the tough decision. I'm neither masochist nor sadist, but that's what had to be done and the banking sector has realised and recognised now that under those policies, interest rates will come down.

MURPHY: Do you have a quick follow up question?

PEACOCK: Not worthwhile after that answer.

MURPHY: Well, Mr Hawke, now you can question Mr Peacock.

PM: Yes, well, I'd like to ask you, Andrew, you have said, rightly, that if you are going to get a reduction in interest rates, then inflation must come down. Now I guess if you are thinking about getting inflation down, you must have some idea, some target in your mind of what wages outcome there will be necessary to bring inflation down. What's the target rate for wage increase you have in the first year?

PEACOCK: You love targets because those who like centrally planned economies always like targets and they want people to meet 'em. We believe in the market and we're not getting into this game. Our target, if you want to use that term, is to get labour costs down to the equivalent rate of our trading partners and we can only do that with a stress on productivity and we are

underlining the drive for productivity in our wage fixation mechanism which you're not prepared to undertake. Together with that, of course, in reaching it we can have our drive through tighter fiscal policy, freeing up the labour market and a steadier monetary policy which will be directed towards getting inflation down. But without the program of freeing up the labour market, without a program directed toward getting labour costs equivalent to that of our trading partners, what will happen is that inflation will continue to enter, ... eat into wages and those real wages which under your form will not turn around.

MURPHY: A follow up, Mr Hawke?

PM: Well, you said on 31 August, your exact words, that Government should stay out of industrial disputes, stay out of wage fixing as such, they just get in the way. That means that you will just leave it absolutely free if you meant what you said on 31 August. You'll leave it absolutely free for the strong to get whatever wage increase they want. Is that correct?

PEACOCK: No, that's not so. Industrial disputes ... Government ought get out of the way. They tend to play politics with it. In terms of wage fixation, this, the current system will remain. You will in fact have amendments in directions to the Commission to take note of productivity. International ... competitiveness and employment in the fixing of wages and those who move out will get wage rises in line with productivity increases.

MURPHY: OK. We now move to the members of the panel, my colleagues, and the first question comes from Paul Kelly and it's to Mr Hawke.

KELLY: Mr Hawke, after seven years in the job, can you tell us where we are in terms of achieving in this country a truly internationally competitive economy? Are we nearly there, are we just in the middle or are we still at the start?

PM: No, we're past the start. Let me give you examples, as I said in my opening statement, that we are now exporting cars to the United States. We are exporting vehicle parts to Japan. Let me give you the outstanding example. When we came to office BHP was contemplating closing the Australian steel industry. I saved the steel industry and now we are exporting steel all around the world - we are a world class competitive exporter of steel. We couldn't have done that without wage restraint and cooperation, so we're there. But importantly we're having wage restructuring, award restructuring as well, so that the training that will take place in industry will be relevant to modern processes. I can take you to factories around Australia which are now competing in the most competitive markets in the world in a whole range of exports of manufactured goods. So we're doing it,

there's more to be done, but you can only do it under our wages policy.

KELLY: But, Prime Minister, how can you say we're nearly there when our inflation rate at the moment is one and a half times that of our trading partners and we've got a net external debt at over \$100 billion, one of the worst in the world?

MURPHY: And you've got 30 seconds ...

PM: Well, let me say this in respect of our debt. You look at the debt. Access Economics identifies the other side of that debt. \$90 billion worth of investment projects in this country which they say will project another \$10 billion of export income in the years ahead.

KELLY: And they say that debt will get worse. They say that in the paper that they released last week.

PM: But, but they also make it clear that as far as the Government is concerned that we've wiped out debt and the debt that is being accumulated by the private sector is increasing the productive and competitive capacity of Australian industry.

MURPHY: OK, now Warwick Beutler puts a question to Andrew Peacock.

BEUTLER: Mr Peacock, Senator Janine Haines, who wanted to be here but couldn't, wants to know how you justified further deregulation of the Australian economy and particularly, how do you go about implementing your policy of ... abolishing capital gains tax and further privatisation of organisations such as Qantas when the Democrats hold the balance of power in the Senate, will do so after this election and they're ... to be opposed to those policies?

PEACOCK: Well, of course, the Democrats aren't running for office in the sense of running for Government. The Democrats never produced programs for Government. Great respect for many members of the Democratic Party, the Democrat Party, but they are not seeking to govern Australia. Therefore, if you vote for the Democrats, you'll be voting for a group of people who want a degree of purchase and leverage on events but do not want to lead the nation through the 1990s. And leading the nation through, through the 1990s, returning to incentive, returning to programs for development, labour market deregulation absolutely essential, following the freeing up of the banking and finance system, the capital gains tax - I indicated in my opening statement 80 percent of the men and women who paid capital gains tax earned \$35,000 or less. So I want to return incentive. I want to get taxes down. If Janine Haines wants to oppose that, let her do so at her own peril.

BEUTLER: But the reality is you do have to deal with the Democrats. Are you going to do it?

PEACOCK: Well, the reality is that they've got to get elected. What I'm proposing for Australia is a new era. What I'm proposing for Australia will return incentive to Australia and Australians and let her seek to oppose my programs which will be helpful to the great bulk of men and women who've been slugged under this Government, not only through interest rates, but through high taxes. I have the programs to do it, the Democrats regrettably don't.

MURPHY: Laurie Oakes, a question for Bob Hawke.

OAKES: Prime Minister, a Sunday newspaper today asked residents of a Sydney street what they thought you should be asked and one of the questions they threw up was why are you allowing our country to be sold out to the Japanese? Now, if you eliminate these racial overtones, that's a question I've heard from a lot of Australians. What's your answer?

PM: Well, of course, we are not. And the fact is that we have a Foreign Investment Review Board whose task is to recommend whether any takeovers or acquisitions of Australian assets are against the national interest and we take account of the advice of that body. Australia does need investment from abroad. We must have some mechanism for taking account of whether it's in the Australian interest or not and we are in a situation where, in regard to many sectors of our economy now, we have been strengthened because we've brought in expertise, technology, equipment, know-how, which is associated with investment from overseas. But we have kept a mechanism in the Foreign Investment Review Board to oversee that investment.

MURPHY: Do you have a follow up?

OAKES: No that's fine.

MURPHY: OK, well Alan Ramsey now questions Andrew Peacock.

RAMSEY: Mr Peacock, your proposal to abolish the capital gains tax. That tax this year will bring in \$500 million. It is a tax paid by one percent of Australian taxpayers. You intend in abolishing the, in the, abolishing capital gains to make it retrospective to 1985. Now how do you justify backdating, abolition of a policy that gives a five year windfall of \$450 million to one percent of Australian taxpayers, one percent?

PEACOCK: Look I think, Alan, you're suffering a bit of selective amnesia and ... caught it from the Prime Minister.

RAMSEY: No I'm not ... one percent of taxpayers.

PEACOCK: The reality is, I've said to you, that of those men and women, those small businesses that are copping it in the neck, 80 percent of the men and women paying capital gains tax earn \$35,000 or less -

RAMSEY: Mr Peacock, that's ... distortion.

PEACOCK: ... Now you can, you can in fact, describe them as millionaires, but you'll be laughed out -

RAMSEY: I didn't describe them as millionaires.

PEACOCK: And the second point about it is why backdate to '85. In fact it's from '85 to the date of our election to office. The reason for that is obvious. Otherwise you'll have three categories of people. You'll have those who purchased an asset before that date in 1985, you'll secondly have the people who purchased assets between '85 and our election to Government, then you'll have a third category thereafter. Now we've already got a bag of snakes in the income tax and other tax acts now. The classic way to make it worse would be to follow your lead.

MURPHY: Follow up?

RAMSEY: Yes, indeed. Mr Peacock, you never, you always opposed retrospective tax penalties. Why are you giving a \$500 million windfall gain to one percent, one percent, of Australian taxpayers by backdating this particular policy?

PEACOCK: I've just told you, administratively you'd have three classes of people and that -

RAMSEY: Are you saying ... simple?

PEACOCK: ...

RAMSEY: What is simple about, I mean, what is difficult, what is difficult about applying the policy the day after you're elected?

MURPHY: OK, now the answer.

PEACOCK: I have the utmost respect for you, but I would prefer you to allow me to answer the question.

RAMSEY: You're avoiding the question.

MURPHY: Please ...

PEACOCK: I was about to answer it -

RAMSEY: You're avoiding it ...

MURPHY: ... Go ahead, please go ahead.

PEACOCK: My time starts now?

MURPHY: Yes it does.

PEACOCK: OK, fine. The reality is not only are the men and women who are paying capital gains tax, earning only \$35,000 -

RAMSEY: That is not true, Mr Peacock.

MURPHY: Please, please, Alan, let Mr Peacock -

PEACOCK: If you have a look at the latest figures available -

RAMSEY: I have.

PEACOCK: Well, ... you will find that in fact of the companies that paid capital gains tax, 65 percent of them only had a corporate profit of \$40,000. Now it seems to me if you want to return incentive in this country, you'll look at those figures and you'll recognise what they're doing to small business.

MURPHY: Ok, I must intervene here. We must move on because we've got three topics. We move into the second of them now and it's social policy. I'd ask Bob Hawke to speak first.

PM: When I talk about social policy and social justice I look first of all at kids. I look at the fact that now, after seven years as Prime Minister, I can go into the schools of Australia and see that two out of every three of our kids are staying on in school against the one in three at the end of the seven years of conservative government. That means that what we're doing for the families of today is we're training and educating the kids of today's families, and importantly training and educating the parents of tomorrow's families.

When I talk about social policy and social justice I look at health and I see all of my fellow Australians now covered by Medicare and with bulkbilling available. I don't see the two million Australians that I inherited in '83 who had no cover. And I see an Opposition pledge to abolish Medicare.

I see social justice when I see kids and adults going to programs like Skillshare and our whole range of other training programs that mean that people with some disabilities or backwardness are able to be trained to go into the employment market. Our opponents would abolish all these programs. What they would do was to substitute for a social safety welfare net a social trapdoor. Push

the people through the trapdoor and then do nothing more for them.

I see social justice in regard to our kids where every major social welfare organisation has congratulated me and the Government for now paying over two billion dollars a year to the kids of low income families. They have said, they have said that that's matched the promise to ensure that there be no financial need for a kid to live in poverty. That two billion dollars has been paid to meet that promise.

I see social justice in a fair taxation system. The sort of thing that Alan Ramsey's been talking about. I see social injustice in giving, over a period of time as they would, literally billions of dollars to less than one per cent of the population. In the last year '87-88, 65,000 people, one third of one per cent, paid capital gains. But will put billions of dollars back to them, billions of dollars that could've been spent on health and education and the welfare of the needy.

These are the things that are important. I don't want to see an Australia where we're going to have a pattern of privilege returned. Where superannuation is the preserve of the few instead of for the blue collar workers and for women as we have made it. It's these things, it's education, it's health, where we have done the things that need to be done. And through all this, despite what Mr Peacock has said, the independent analysis shows that average standards have also increased by over six per cent in the period we've been in office. That's what social justice is about.

MURPHY: Ok, thank you Mr Hawke. Now three minutes from Andrew Peacock.

PEACOCK: Well Mr Murphy I actually think, listening to what the Prime Minister has just said, that we may have all been fools. It must be Max Gillies in here. This is not Australia today that he is discussing.

Let me just say firstly we are not going to abolish Medicare. Secondly we are not going to abolish all training programs. And thirdly, if you want to know who's close to the privileged, have a look at the man over here. Because during his time as Prime Minister of this country Australia has become an unfair society. Unfair to the great bulk of men and women, particularly working men and women. The rich have got richer, the poor have got poorer, and the great bulk of Australians have not only just been squeezed out, they've been forgotten by Mr Hawke.

The focus of social policy ought to be firstly the family, secondly our children and thirdly the elderly. I've said what I'll do for the family with child tax rebates, child care rebates, assistance for spouses

through a lift in the dependent spouse rebate. And as for our children, now I mentioned before a broken promise indicated three times in the 1987 policy speech by Mr Hawke. And if I may say the most debased promise of all was that one that said no child will live in poverty by 1990. Well it's 1990 and 500,000 children live in poverty and 70,000 are homeless. So much for the undertakings that are made by Mr Hawke in his election speech. We're on about keeping families together. That will assist this particular problem. We're on about working with those great welfare groups in the community to work with government to solve this problem. Mr Hawke will not.

In regard to the elderly to whom we have the most special duty of all, and particularly the current generation, some of whom went through a First World War, some of course ... a Second World War, and including between that the Depression, the duty is even more profound than at any other time. We are going to maintain, I say to the elderly, every program that is down at the moment, including Medicare. And we're going to liberalise the assets test. And we're going to end the compulsory retiring age. And we're going to have a deferred pension plan. And we're going to lift the tax free threshold on lump sum superannuation from \$60,000 to \$125,000.

The guiding principle of social policy is to be fair. You've seen what's been enacted out over the last three years. Well we'll be fair while they talk.

MURPHY: Ok, we now again come to the section where the leaders question each other. First question to you Mr Hawke.

PM: Do you agree with the statement of your Shadow Minister for Health, Mr Shack, where he said that the Liberals and National Party have a very poor track record in health both in government, in opposition? Do you agree with his statement and why was he right?

PEACOCK: Well, if I agreed with the statement I'd have to make it relative and compare it with your record. The reality is there is now a Medicare crisis with 100,000 people unable to get into public hospitals. The only way to redress that is to correct the imbalance between public hospitals and private hospitals. Before you brought in Medicare more than 62% of the population was covered by private insurance. That's fallen to 42,000 today. And as a consequence the queues have grown and grown. We're going to leave Medicare in place, not only just for the disabled and the aged and the poor, but we're going to make it attractive to get into voluntary insurance by not requiring those who take out a premium with a voluntary health insurance society, not only will they not have to pay the Medicare levy but they in fact will get a tax rebate. So I'll stack up our record any time you like with yours.

MURPHY: Do you have a follow-up?

PM: Why did you say on the 23rd of June last year through your spokesman that the policy had been finalised and the costing completed when in fact that wasn't the case? Why did you keep saying that?

PEACOCK: Because the costing had been completed. But then we got further material from you which had not been made available before.

PM: (inaudible)

PEACOCK: Well, that was the situation as it was. I mean I openly said, when you eventually made the material available in terms of the numbers in State hospitals, we realised that we could make the change I've just described to freeing that system up somewhat, but we would have to do it in the second and third year and not in the first.

PM: Will it be cost neutral?

PM: I told you about the costing itself before and you know that in determining that no-one in fact will pay more because any changes that we make in the system will have an offset through the tax mechanism.

MURPHY: Ok, time has expired. It's your turn now Mr Peacock to put a question.

PEACOCK: Well once again I want to go back to that graphic 1987 policy speech of yours. You said that your Government, and I'll quote it, sets the welfare of the Australian family as it's top priority. In fact the living standards of most Australian families have been savaged since then. Why?

PM: Of course that's not true. If you look at the research that's been done by the independent University of NSW Institute of Social Studies you'll see that what they say is on average real standards have increased. Because when you're measuring real living standards, disposable income is made up not only of what happens to real wages, it's made up also of whether there are more jobs, whether there's been a cut in taxes, and what's happened to the level of social welfare payments. When you take these all into account there has been an increase in standards. So your basic premise is wrong. If you want your people afterwards to see the statistics and the basis of my statement, that will be provided to you and to any journalist that wants to see it.

MURPHY: A follow-up?

PEACOCK: Well I'm going to rest with that. I mean you know that is no answer to the question. But I'll let other people judge that. Have I got a question now?

MURPHY: Sorry?

PEACOCK: Have I got another question now?

MURPHY: A follow-up. Do you have one?

PEACOCK: No, no a separate question. Do you want a separate question or not?

MURPHY: It's a follow-up which means that there's a thirty second -

PEACOCK: I wouldn't be bothered with that after that answer.

MURPHY: Ok. Well we now go to panel questions. First it's Paul Kelly with a question to Mr Peacock.

KELLY: Mr Peacock I think you'd agree that when you mention social justice to Australian families these days, they think interest rates. Every banker and economist in this country knows that we need higher interest rates than countries overseas in order to finance our overseas debt problem. Now you've been going around the country saying that under your government there can be massive falls in interest rates. How do you reconcile that promise with the interest rate differential which we need to finance the foreign debt?

PEACOCK: Firstly what I'd say to you is that we do not need interest rates as high as they are. They have in fact been hitting record levels. There are two reasons for the this. Two reasons. Firstly the impact of the Government's tight money supplies which have forced those interest rates up. Secondly because this Government doesn't have anti-inflationary policies. So long as they continue to allow inflation to be stuck at a high rate then interest rates will remain high. Now I'm on about getting them down. The reality is all my programs in the economics field are directed towards not only listing productivity but they're having a drive on inflation. But as a consequence of the success of that, through tighter fiscal policy and freeing up the labour market, when I'm able to have that steadier monetary policy, I'll get inflation down and I'll get interest rates down.

KELLY: You're talking about massive cuts. I mean how can you say massive cuts? I mean you don't know what's going to happen to interest rates overseas.

PEACOCK: I do know what the effect of my program -

KELLY: Are you standing by massive cuts or are you -

PEACOCK: Mr Kelly, I know that from day one when I'm elected on September the, on March the 24th that on the 25th I will make a statement as Prime Minister reiterating the programs of the new government. The market will see clearly - because government's don't set interest rates, you know that - the market will see clearly that I'm embarking on the tough anti-inflation drive that I've spoken of.

KELLY: Isn't -

PEACOCK: That'll give real relief in interest rates to families that they are desperate for. I'm confident that the market will respond and that through our period of government you will have sustained and significant reductions in interest rates.

KELLY: You'd agree therefore would you that you went too far promising massive cuts?

PEACOCK: I'm telling you we will get significant interest rate cuts through the first term of our government because our policies are right and we're not relying on high interest rates to conduct the Australian economy.

MURPHY: Alan Ramsey, it's now your turn to put a question to Mr Hawke.

RAMSEY: Prime Minister, welfare payments of course are eroded if you can't get inflation down and you can't get interest rates right. Now in four of the last six budgets the Treasurer, and you were talking before to Mr Peacock about targets, the Treasurer didn't meet his targets on inflation. He said it would come down and in fact in each of those four occasions it went up. We're still waiting judgement on his most recent budget. Your own forecast on interest rates last year were hopelessly wrong. Now given what you said on interest rates, and given what he said for five years about inflation, why should voters now believe that you now know what you're talking about or what you're doing?

PM: Fair question Alan. They have to make a choice between Mr Peacock and myself. The central question in interest rate levels, as everyone knows, is the inflation level. And the central determinant of what happens to inflation is what happens to wage rates. You people were at the press conference on the 30th of November when you put the question to Mr Peacock about wages outcomes.

RAMSEY: But that's not what I'm asking you.

PM: Let me answer -

RAMSEY: ... people believe you now when you've been so wrong in the past?

PM: Could I answer the question. What I'm saying is there's got to be a choice. And I'm saying that we will have lower wages outcomes. Lower wages outcomes and therefore a greater capacity to bring inflation and interest rates down. In regard to the wages predictions, let me remind you of this, and again we'll show all the statistics afterwards, that over the whole period of wages predictions by the Treasurer, on average his prediction has been over what the wages outcome can be. So we are more reliable in terms of the basic determinant of interest rates, that is what happens to wages, than the alternative.

MURPHY: Ok, now Laurie Oakes to Andrew Peacock.

OAKES: Mr Peacock you go into this election campaign with no health policy even though health is very important to Australians, Medicare is very important to Australians. Your figures didn't add up. You're going into the campaign saying trust us even though we won't tell you what we're going to do with health, we won't tell you how we're going to pay for it. Why should people trust you?

PEACOCK: The reality is we're going into the election campaign with a health policy. What we said was that we could not implement it in the first year. I'd love to be able to correct every mistake that Labor has made on the first day and in the first year. But there are restrictions on even those who have got well thought through programs. And that health policy is, to be implemented in the second and third year, to leave Medicare in place for the aged and the disadvantaged and the poor, and to encourage people either to cross to the private health funds for which, if they take out a premium there they will not have to pay the Medicare levy and they will in fact get a tax rebate. That rebate will be skewed down to the lower end to be of more significance to lower income earners than middle income earners. I'm very happy with that.

OAKES: (inaudible)

PEACOCK: We do, because we will in fact be ensuring, as I said, that any changes that are made in the health policy will not cost individuals more. Because whatever the change we make in terms of health per se of the arrangements will in fact be offset then through the tax mechanism which is what I mean by -

OAKES: But your health spokesman said it would cost tax payers anywhere between zero and \$2.6 billion. That's ridiculous ...

PEACOCK: The only relevance of \$2.6 billion Mr Oakes would be -

OAKES: That's Mr Shack's figure, not mine.

PEACOCK: - would be if everybody went off Medicare. Well they won't. \$2.6 billion is the amount the Government receives in terms of revenue from the Medicare levy. It's not relevant to what I'm talking about.

MURPHY: Thank you Mr Peacock. We now must move on to our next topic in the great debate. Each Leader has two minutes to speak on the environment and Mr Peacock leads off.

PEACOCK: Well thank you very much, Paul. The guiding dictum that we apply to the environment - and it's fairly simple and it's spelled out in our policy - is that the environment is not something that we've inherited from our parents but rather something that we borrowed from our children. And an effective environment policy must be aimed at targeting and increasing our quality of life.

Now the Labor Party place great stress on what they've allegedly done for the environment. We're always seeing either Mr Hawke or Senator Richardson stomping all over the flora and frightening the life out of the fauna as they're being photographed majestically. But the reality is if you look at our record, we established the first federal Ministry of the Environment. We ended whaling, we proclaimed the Kakadu, Uluru, and Great Barrier Reef marines parks, we have a record in the environment extending through to the saving of Fraser Island from sandmining and that will continue.

Incidentally, I'm proud to say that, albeit for a short time, I held the portfolio of Ministry for the Environment. And I've ensured that we have committed ourselves to sensible and sensitive environmental policies not just for Australia, but for the planet.

For Australia we're committed to sensible and well planned policies for reafforestation. No world heritage area will be de-listed or degraded. We will protect the Antarctic. In fact, we were the first to take the decision to oppose the mineral regime in the Antarctic while two Ministers, Senators Richardson and Evans, were proclaiming the need to mine in the Antarctic. Ours is, as I say, a sensitive and a sensible environment program. It calls for sustainable development, it sits well with achieving what we need in Australia, a sensitive environment program for quality of life and sensible economic policy to improve our living standards.

MURPHY: Thank you Mr Peacock. Now two minutes for Mr Hawke to address the environment.

PM: Thank you. It could not be a greater gulf between myself and Mr Peacock on the question of the environment. Let me first refer to his claims about what they did.

The point about that is that everyone of those decisions that they made in government, they did with our support, with the support of the Labor Party. But since I've been Prime Minister every major decision we've made in terms of protection of the environment has been bitterly opposed by our opponents. If I were not Prime Minister, if Mr Peacock had been Prime Minister the Franklin would not be running free. Daintree would be logged. Kakadu would be mined and there would be authorisation for the Wesley Vale Pulp Mill to be pumping out 13 tonnes of organochlorides each day into Bass Strait. The decision, that latter one, opposed by Peacock. All the other decisions opposed by the conservatives. So there is the gulf, there is the gulf between us.

In terms of our global responsibilities, we are out there at the forefront with other nations in doing what we can within Australia and by way of international cooperation to combat the effect of the Greenhouse emissions. We are, with France, proudly taking a lead. Not just talking but proudly taking the lead in ensuring that the Antarctic is going to be free from mining and kept as a great nature and science reserve, and we are being applauded worldwide for that.

And in regard to protecting the soil, we instituted last year a \$320M landcare decade program which is going to tackle the problems of salinity and soil degradation.

So in all these areas we have not talked, we've acted and on every major decision that we've taken, we've been opposed by the Liberals and the National Party.

MURPHY: Thank you Mr Hawke. Now, of course, the Leaders question each other and Andrew Peacock you lead off.

PEACOCK: Well the harsh reality is, Mr Hawke, you were dragged reluctantly to oppose the minerals regime in the Antarctic. Is it not a fact that we opposed that and took the decision before you and that your Ministers were proclaiming a need to mine the Antarctic and only changed their minds after we issued a policy directive?

PM: You had no impact upon us at all. This was something that had been considered by a range of our Ministers. It is the case that some of them wanted to go on with the signing of the mineral convention because they took the view that that was the only way, they thought, which could provide some environmental protection. I took a different view and I was persuaded, and persuaded my Cabinet, that what we should do would be bold and go out and say no, no mining, that it is silly to talk about protecting the Antarctic environment through the medium of a minerals convention. We were told that we wouldn't be able to get anywhere but now we've got the Russians, many of the Europeans, New Zealand, I think, is reconsidering it's position, the United States is reconsidering it's position. As in so

many areas of international affairs, Australia, the Australian Government, is taking the lead on this.

MURPHY: Do you want a supplementary, Mr Peacock?

PEACOCK: No. The reality is Mr Hawke has admitted that in fact the Government was torn on the question. It took them quite some time and that we were the first in to ban it.

MURPHY: Mr Hawke, you now question.

PM: Yes. I wanted to ask the Leader of the Opposition how can he support a position where his Shadow spokesman for the Environment, Senator Puplick, has said that you would allow mineral exploration of the Kakadu National Park, including the area where Crocodile Dundee was filmed. How can you possibly contemplate endangering the Kakadu National Park in that way?

PEACOCK: No. Stage 1 and Stage 2 in Kakadu will not be mined and we've made that perfectly clear. Just as you were prepared - until you buckled yet again under the pressure in terms of Stage 3 - we would allow the examination of the possibility of mining in Stage 3, in fact the company had an environmental impact statement which said that Coronation Hill, you could proceed. Now the reality is if you place any faith in those environmental impact statements and they say that it's not endangered, then you ought be prepared to proceed. There will be no mining in Stage 1 or Stage 2.

MURPHY: A supplementary?

PM: I mean, why is it that in October of last year Senator Puplick, your Shadow Minister, indicated that they would allow mineral exploration via the Bureau of Mineral Resources in Stage 2. Why did he say it? Did he not have your authority?

PEACOCK: No, Senator Puplick said, as has the Party, that there will not be mining in Stage 1 -

PM: Well we'll show you -

PEACOCK: That we would be prepared to look, as you were, in terms of Stage 3 and there we've been decisive. And as with value added industries elsewhere, we are prepared because of the need for Australia to have valued added industries, to examine the possibility of the proceedings and if the environmental impact statement says they can proceed without damage, then they will proceed.

MURPHY: Now do you want to ask another question on the environment?

PEACOCK: Oh no, I thought we were going on to the panel now.

MURPHY: Well I'm just giving you another chance.

PEACOCK: No, that's fine with me.

MURPHY: Right. Another question Prime Minister?

PM: Yes. Why, Mr Peacock, when we had advice from the CSIRO that there would be 13 tonnes per day of organochlorides pumped into Bass Strait by the Wesley Vale project - and they recommended against it - why were you in favour of it? Why did you criticise our decision to stop the Wesley Vale project on the advice of CSIRO?

PEACOCK: There are two things I want to say about Wesley Vale. Firstly, it took you an interminable time to make a decision. Secondly, you've said earlier tonight that there are \$90B worth of investment programs to go ahead - and you quoted Access Economics - I just happen to have it here.

PM: You have a lot of things there, Andrew.

PEACOCK: Contained - well they're notes of your failed promises over the last 7 years, and there are a fair number of them. Contained within that, that you've been hotly pressing and advocating about \$90M that you've put in the program, contained in this is the Wesley Vale Pulp Mill in Tasmania for \$1B. Now you can't talk in favour of these programs which contain, in fact, a preparedness to proceed at Wesley Vale and then use the other side of the argument now. The fact is if it could be done in an environmentally sound way, we said then that it should proceed. And that's the reality of the question.

MURPHY: A quick supplementary?

PM: Well the CSIRO said it couldn't been done in an environmentally sound way. Why did you therefore support it?

PM: My God, you are like a human hiccup on that one. You are all over the place. It took you a long time, and your own Ministers have said - and it's being re-examined again as you know - and what I'm saying to you, if it can be developed on environmentally sound basis, it will proceed and that's what your Minister says.

MURPHY: OK. We move on now to the panel. To pose questions to both Leaders on the environment and indeed anything else that they want to ask and the first question comes from Warwick Beutler.

BEUTLER: Mr Peacock, another specific question about the environment. What is your solution to land degradation and salinity?

PEACOCK: Well the land degradation and salinity problems

of Australia are the most crucial problems that we face environmentally. There are high profile problems elsewhere which can attract an enormous amount of support. In fact, we will double the funding for the national conservation strategy and we've made that perfectly clear. And this real drive has to be on land degradation and salinity. The National Farmers Federation has supported with the Australian Conservation Foundation this approach. It has our full support. In fact, I think apart from our commitment to more than doubled expenditure in this arena, it's one of the welcome signs in Australian politics that the Party's are moving increasingly close to recognising the need to move in this arena.

BEUTLER: What's the doubling of spending mean? How much are you spending on it?

PEACOCK: Well you take out the forward estimates by the Government and multiply it by two, old son. I haven't got those instruments with me.

MURPHY: OK. Laurie Oakes to Mr Hawke.

OAKES: Mr Hawke, is the Labor Party prepared to match the coalition's commitment to spend \$1B next year on child care and before you answer it, could I say that since you insisted the debate had to be before the policy speech - as I hope you won't fob me off by saying I'll have to wait till I hear your policies?

PM: Well it's not a question of fobbing you off. I can say to you that in fact during the campaign I'll be making announcements which indicate further moves, substantial moves, on our part in regard to child care. But let me say this. I do that from a position of strength because under my Government, when this current program of child care place increases - which finishes in 1992 - is in place there will have been a trebling, a trebling by us of the number of child care places that we inherited from the Opposition. But we're not resting on our laurels, Laurie. We in fact, will be doing more and in terms of being available for question, when I've made my announcement during a campaign, I will be available as I am each day for detailed questioning by you.

OAKES: But if I could repeat the question. Is the Labor Party prepared to match the coalition's billion dollar promise on child care?

PM: I will answer that by saying I will be making -

OAKES: You fobbed me off.

PM: No I haven't. I've said I'll be making my statement and I'll be available when the day I make that announcement, Laurie, you be there and ask me any questions you like.

OAKES: Well if you're so inhibited, why did you insist the debate had to be now instead of after the policies, Mr Hawke?

PM: No inhibition at all. It seemed to me a good idea to have it now, get it out of the way and get on with the real business.

OAKES: ... still things we can't talk about.

PM: Not at all. I'll be available to you every day. I don't know whether Mr Peacock will be.

MURPHY: We must move on now. Paul Kelly with a question for Mr Peacock.

KELLY: Mr Peacock, I think a lot of people would like to know how serious you are about fighting inflation, which is the cornerstone of your economic strategy. Now the lesson of the 80s in countries like Britain and the United States is in order to fight inflation there's normally a cost. The cost can be higher unemployment or cuts in real wages. Now are you prepared to fight inflation to the extent that you might countenance either of those?

PEACOCK: No, because by the mechanism that we're using in fighting inflation we will in fact lift employment. Because we've got to end this nexus between inflation and wage rises and cost rises, prices just passing it on. To the extent that you lift wages solely in line with inflation and without regard to productivity, that in fact workers just get diminished real wages.

KELLY: So you are not prepared to achieve your inflation objectives if the cost of those objectives is either cuts in real wages or a higher level of unemployment. Is that the real situation?

PEACOCK: The reality is -

KELLY: Is that the real situation or not?

PEACOCK: Listen Mr Kelly, just listen to me. That's a fundamental point that I make because you're talking about unemployment rising in one feature of an anti-inflation policy. What I've said to you earlier tonight is that we in fact have a coordinated economic strategy that doesn't rely on one element alone like this Government does in terms of controlling demand and using high interest rates.

KELLY: I'm just talking about price that other countries have had to pay during the 1980s.

PEACOCK: You are very agitated in making your point but I thought I was being asked the question, my dear friend.

The reality is our program is a coordinated one. It is a tighter fiscal policy, it is freeing up the labour market. With those settings in place it means we can have that steadier monetary policy to get inflation down and we will boost productivity not only through our wages policy but also through privatisation and contracting out. So we have a coordinated program which will tackle inflation, bring down interest rates as a consequence and boost productivity thus ensuring greater take home pay.

MURPHY: Alan Ramsey, would you like to put a question to Mr Hawke.

RAMSEY: Yes Prime Minister, I want to go back to the question I asked you last time about inflation and interest rate forecasts. I remind you that two budgets ago, which is only 18 months ago, the '88 budget, Paul Keating said inflation would be coming down to three or four per cent, three to four per cent by 1990. Well we've arrived at 1990. Inflation is just on eight per cent, 7.8%. I ask you again, why should voters now believe that you know what you're talking about?

PM: Because we have been honest in saying that we underestimated the level of demand. We were absolutely right, as we have been each year, in our wages estimate Alan. But we frankly underestimated the level of demand, as did every other economist in the country. So now come to the present. The present situation is one in which the inflation rate will be coming down, the Treasury has said, at the end of the year, end of last year, that the underlying rate was 5.7%. There is a lessening of demand, there is a lessening of demand. No-one questions that. And the banking sector itself has said that interest rates are coming down. So we have been frank in saying yes we did underestimate demand and in that underestimate of demand inflation was higher than we expected. We've got an \$11 billion surge, or more than an \$11 billion surge of income, from the improvement in the terms of trade and that money surged into the country and lifted demand. We believe that in the current circumstances - as does the banking sector - that we've got the settings right for a lowering of both inflation and interest rates.

MURPHY: Do you want to follow up Alan?

RAMSEY: No.

MURPHY: Warwick Beutler, have you a question for Mr Hawke?

BEUTLER: For Mr Peacock actually. Mr Peacock do you rule out a consumption tax under your Government?

PEACOCK: I've indicated quite clearly that in the program for the first term of our government, which is what we're offering the Australian people, there will be

no consumption tax. That's contained explicitly in our policy document. Now Mr Hawke may have a different view and he may dump a new tax on us if he wishes. The reality is however that those who call for a consumption tax can argue quite plausibly in terms of it increasing our savings. But I do have to say to them the reality is it can have the appearance of this juncture of a palliative unless you start cutting government expenditure. We've taken the tough decisions. We're taking the dole for example back to nine months and saying to people if you've got the capacity to work then you've got to work. Australia is the only country in the world where you can leave school, go on the dole and stay there until you draw the pension. So tighter fiscal policy again, freeing up the labour market. We will in fact be able to get inflation and interest rates down and that's the route to go before you contemplate any consumption tax.

MURPHY: Mr Peacock, is Mr Elliott wrong when he says, your Federal President, that he'd like to see a consumption tax?

PEACOCK: He's long had the view in favour of a consumption tax but he's been told by us that it's not on.

BEUTLER: He also has views about the removal of tariffs and tax breaks on savings and things like that. Is it time to start implementing those, some of those sorts of

PEACOCK: Which ones are you talking about, tell me. What do you want?

BEUTLER: Well, ways of getting us out of our debt problem for example. Removal of all tariffs.

PEACOCK: Well I've told you first of all the best way of working the way through our debt problem is for Australia to become productive again. That's not only -

BEUTLER: We've all got to work harder.

PEACOCK: Hang on a flash. That's not only in Australia's interest that we're able to compete in the export market and compete against the import placement industries. But it's pretty important, critically important for Australians own well-being, and to lift their own living standards. In terms of tariffs, then I want a liberal trading world. Mr Hawke wants a liberal trading world. The Garnaut Report puts a target of the year 2000 for example, for the elimination of all tariffs. I think it's a pretty heroic gesture. I don't think we would in fact be able to achieve it but it's a fine ideal to work to provided you give those industries out there in the market place some certainty as to what

you're doing as you work to that more liberal trading world.

MURPHY: Thanks for that. Paul Kelly have you got a question for Mr Hawke.

KELLY: Yes. Just a few days ago Mr Hawke, the Treasurer, Mr Keating, attacked most of the employer groups and branded them in fact, as Liberal Party fronts. Do you agree with Mr Keating on that and does this mean that there's now a new degree of tension in the relationship between your Government and the business community?

PM: I would say that it is accurate to say that in the last few weeks the noises that have been coming from the major business organisations have been fairly pro-Liberal. But that doesn't lead into logically the second point. I don't believe that when we're re-elected that there will be tensions between us. We will have a capacity, as we have in the past, to talk and work with the Business Council, with the Confederation of Australian Industry. We've done that for 7 years and may I say, that they have been very cooperative in many ways, not least in one important area which I was involved in this week, women. One of the great performances of this Government is the opening up of opportunities for women in employment, to remove discrimination - and I pay full tribute to the cooperation that we've had from the Confederation of Australian Industry and the Business Council of Australia in perhaps what is the most fundamental micro economic reform, making sure that 50% of the population are available to be trained and to be employed.

MURPHY: OK, time is galloping on, Laurie Oakes.

OAKES: Mr Peacock, the coalition government has pledged to flog off a string of Government owned enterprises ranging from Qantas to Medibank Private. Your privatisation spokesman, John Moore, is quoted in a business magazine this week as saying professionals in Australia are really looking at the greatest Christmas party they've ever had. Now is that the way to present this? Why should Australians vote to enrich accountants, lawyers and stock brokers?

PEACOCK: Well he may have been using a touch of hyperbole to get your interest, to raise the understanding of the privatisation program itself. The reality is however, it's not only us who want to privatise what could be described as either inefficient or capital starved government business enterprises. The Labor Party wanted to, the Prime Minister spoke in favour of it, the Treasurer spoke in favour of it, other Ministers spoke in favour of it but the Labor Party conference stopped them and they were unable to get through.

MURPHY: Time unfortunately is really getting away from us and I now come to the period where I ask you both to summarise. You're first Andrew Peacock.

PEACOCK: Thank you very much indeed Paul. I said at the outset Australia requires a new era and a new epoch and a new spirit. The shame about tonight's debate is that it was held before the policy speeches. Mr Hawke made that a condition precedent. I thought elections campaigns were all about policies.

I can tell you what we're going to do for the future. I have the blueprint. I have the schedule. My party does. But essentially, what Mr Hawke is telling you is that he is proffering the status quo. That's just not good enough. The world is changing. In fact the international changes that have occurred in the last four months have been the greatest since the ending of the Second World War. Whilst all of that's happening, and so many people have great hope for the future, Australia is going backwards.

We've got the policies and we have the team. We are saying to people that you don't need to in fact have your living standards crushed. We have not only economic programs but the associated schedules that go with them. We've taken some pretty tough decisions to cut government expenditure to make it leaner so that we can have a real viable, in fact the most generous family tax program in decades. We haven't done it just for fun. We've done it a) because we believe in the family and b) because the family is being crushed. And in essence, when we come to the end of this campaign, you'll essentially have a choice - one route or the other. If you in fact want more of the same then you'll vote Labor. But if you want a change for the better then the answer is Liberal.

MURPHY: Ok, and the final two minute statement comes from you Mr Hawke.

PM: The choice on the 24th of March is stark. Whether you're going to have continued economic growth, job growth and a restructured economy where we are exporting more manufactured goods against the most competitive markets in the world or are you going to have the wages explosion? Mr Peacock, when asked the central question what happens to wages, shrugs his shoulder and says who's to know. And if you say who's to know to wages outcomes it means that you must have a wages explosion, interest rates up and the economy doing what it did before, out.

You have the choice between a continuation of Medicare or its dismantling.

You can have a choice between superannuation, a savings plan for the future, a fair one available to all and in which, when it's through, \$30 a week being paid by

employers for every one of their employees or the dismantling of that superannuation arrangement.

You can have absolute commitment to the protection of the environment or you can have the environmental vandalism of their opposition to every major decision we've had.

And on the question of policies you can have these buzz words about productivity but it's all what we'll do but you've not heard one word about how you'll get an acceptable wages outcome.

Finally, on the question of leadership and unity, you can have strong knowledgeable leadership of a united team or you can have the situation opposite where John Howard has said publicly that there can be and is no trust between John Howard and Andrew Peacock. The Liberal Party is ridden with internal bitteresses and hatreds and there is fundamental division between the Liberal Party and the National Party with whom they would go into coalition government. A party which can't govern itself cannot govern the country.

MURPHY: Ok, and that's where we must finish although it mightn't be a bad idea to have another debate after the policy launches. I hope you've found this both interesting and entertaining. You've seen the leaders. The choice is now yours on March 24. Mr Hawke, thank you very much. Mr Peacock, thank you very much. Good luck to both of you for the rest of the campaign. Thanks also to my colleagues on the panel and thank you also for the faxes and telephone calls of suggested questions which have deluged us for the past few days. So from the great debate at the ABC, good night.

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